

SUMMARY ANALYSIS OF AMENDED BILL

Author: Morrissey Analyst: Roger Lackey Bill Number: AB 1618
Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 04-23-98
Attorney: Doug Bramhall Sponsor:

SUBJECT: Individuals 65 and Older Deduction

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED March 12, 1998, STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

This bill would provide a \$20,000 deduction from gross income for residents 65 years and older, whose adjusted gross income does not exceed a specified amount.

SUMMARY OF AMENDMENT

The April 23, 1998, amendment would provide that the \$20,000 deduction would be disallowed if the taxpayer's adjusted gross income (AGI) exceeds \$127,000. The AGI threshold would be annually indexed using the inflation factor adjustment.

The department has identified two additional implementation concerns. The additional concerns are provided below, as well as the unresolved technical concern.

Except for the discussion of this analysis, the department's analysis of the bill as amended March 12, 1998, still applies.

Implementation Considerations

The bill provides that residents may take the deduction; however, it is silent on part-year residents. It is unclear if the part year resident would be allowed to take the whole \$20,000 deduction or a deduction based on a ratio of California source gross income to all source gross income.

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

___ S ___ O
___ SA ___ OUA
X N ___ NP
___ NA ___ NAR
_____ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved _____
Position Disapproved _____
Position Noted _____

Department/Legislative Director Date
Johnnie Lou Rosas **4/28/98**

Agency Secretary Date

By: Date:

The bill uses both the term "individual" and "taxpayer," creating confusion in the case of two taxpayers filing a joint return. It is unclear whether a spouse with income of less than \$127,000 could claim the \$20,000 deduction if the spouses' combined AGI on the joint return exceeded \$127,000.

Technical Consideration

This bill would provide a taxable income exemption for a resident individual who is at least 65 years of age. However, it is unclear whether the resident individual must have attained 65 years of age prior to the beginning of the taxable year or by the last day of the taxable year.

Tax Revenue Estimate

Revenue losses under the Personal Income Tax Law are estimated to be as follows:

Effective Tax Years After December 31, 1997 Fiscal Years (in millions)		
1998-9	1999-0	2000-1
(\$280)	(\$210)	(\$215)

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

The above revenue impact was based on the personal income tax model for taxpayers claiming the over 65 exemption credit.

The following table indicates the revenue losses by taxable years. This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Taxable Years (in millions)		
1998	1999	2000
(\$200)	(\$205)	(\$210)

The estimate for the first fiscal year (1998-9) includes all of the 1998 tax year impact plus 40% of the 1999. The \$127,000 adjust gross income limitation would apply to all filing statuses. This bill would impact approximately 323,000 senior filers.